GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

UNSTARRED QUESTION NO:2343
ANSWERED ON:04.12.2000
AUDIT REPORT OF MTNL
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Will the Minister of COMMUNICATIONS be pleased to state:

(a) whether the statutory auditors of MTNL has found several shortcomings during the audit of the company for the year 1999-2000;

(b) if so, the details thereof; and

(c) the action taken/ being taken by the management of MTNL against the responsible officials for the said shortcomings?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS

(SHRI TAPAN SIKDAR)

(a) Sir, Like previous years certain observations were made by the statutory auditors during the finalisation of accounts for the year 1999-2000. In some cases, MTNLis following the method of accounting as followed by DOT which are not in accordance with the Companies Act, 1956, and as per the Accounting Standard issued by the Institute of Chartered Accountants ofIndia. This variation is reported by the statutory auditors. In some other cases, MTNL isfollowing its own accounting policy approved by its Board of Directors which are varied from the provisions of Companies Act, 1956. These are also reported by the auditors. The action isbeing taken in respect of other observations of the Auditors.

(b) The details of qualifications given by the auditors for the year 1999-2000 are enclosed at Annexure-I

(c) The qualifications of the auditors have been placed before the Board of directors and the action taken by the Board with regard to the qualification is indicated in the Addendum to the directors` Report which is enclosed at Annexure-II. The company has an audit committee consisting of the three Part-time directors of the Company and the audit committee is monitoring the action taken by the management for rectifying the audit qualifications. The accounts are being maintained as per decisions taken by the management in MTNL. No single official can be held responsible. However, corrections in the accounting procedures are being made and in future the accounting will be altered to suit the audit requirements.

ANNEXURE-II

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(ii) following mentioned practices and procedures followed by the Company in respect of fixed Assets, in our opinion, are not in accordance with the Accounting Standard (AS) 10 on Fixed Assets issued by the Institute of Chartered Accountants of India:

(a) The cost of stores and materials issued is charged to the project or revenue job for which it is initially issued, without adjustment for subsequent transfer of stores and materials between different projects/purposes.

(b) The overheads are allocated as a percentage of capital expenditure prescribed by DoT and not on the basis of directly allocable costs.

(c) In many cases, replacement costs of existing fixed assets have been capitalized without any adjustment of the relevant cost and written down value of discarded assets from the fixed assets block.

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(iii)(a) Amount recoverable on current account from DoT (Rs. 5862.64 million) and amount payable on current account to DoT (Rs. 48362.39 million) i.e. net recoverable Rs. 1000.25 million are subject to reconciliation and confirmation and consequent adjustment.

(d) Certain differences in an account of the Nigam with DoT for the period upto 31.3.97 have been identified. Out of the differences identified, interest shown as receivable on account of repayment of sixth series bonds has been reversed and shown under prior period adjustment. However, MTNL has been following DoT/ Government procedure in respect of accounting of fixed assets, which is in variance with the Accounting standards prescribed by the Institute of Chartered Accountants. The matter is being reviewed by the Company. Necessary action will be taken on the basis of the review.

The process of reconciliation of accounts between DoT for the year upto 31.3.2000 is currently in progress. Necessary entries, if any, arising out of this reconciliation would be passed after final confirmation.

effect of certain differences have not been given in the accounts pending further clarifications and final acceptance by both the parties. Further, the transactions between the Nigam and DoT for the period after 31.3.97 are yet to be reconciled.

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(iv) Inventory as at 31st March 2000 is whout considering the value of materials issued to sub stores and remaining unutilized stocks is not ascertainable.
This is being reviewed.

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(v) the balance is subscribers` deposit accounts Rs. 11232.61 million, interest accrued/due thereon Rs. 48.69 million and sundry debtors of Rs. 6997.66 million are subject to reconciliation with respective subsidiary records. Further, receipts from subscribers to the extent of Rs. 1010.98 million are pending allocation to the concerned debtors.
Both the units have been asked to reconcile sundry debtors control account and the subsidiary records. This is an on going process.
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(vi) Provisions have not been made in respect of :

(a) stamps duty payable on registration of the Land and building acquired by/vested in the company amount unascertainable. Pending completion of the registration/legal vesting of land

(including leaseholds) and buildings (aggregate cost Rs. 5952.68 million) in the name of company, title deeds therefore are not available.

(b) Lease rent payable in respect of certain leasehold properties where the enhancement is not yet finalised. Amount not ascertainable.

(c) Rs. 4.34 million receivable from Electronics Corporation of India, Including liquidated damages of Rs. 0.28 million, remaining unpaid for several years.

This is being pursued with DoT.

The Management felt that no provision need be made against this case.

No provision need to be made as the matter is under arbitration.

(d) Rs. 34.09 million receivable from ITI Ltd. on account of norm receipt of material, modvat relief, materials returned etc. Remaining unpaid for several years.

(e) Capital advances aggregating Rs. 4.49 million towards acquisition of land and building at the Mumbai unit.

(f) Liquidated damages aggregating Rs. 97.72 million refundable to ITI Limited, in terms of a directive from DoT, pending approval of the Board of Directors of the Nigam.

(g) Claims receivable from some units of DoT, aggregating Rs. 55.35 million against materials supplied in earlier years. The claims have not been acknowledged by these unit and the certainty of realization cannot be accessed. The matter is under is under review by the Management and will be settled in the year 2000-01.

This is the advance paid towards acquisition of the land and the matter is being pursued.

The matter is being reviewed by the Management.

The claims are being settled with DoT.

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(vii) The amount capitalized during the year as fixed assets in respect of Delhi Unit includes Rs. 2847 millions where the expenditure is pending internal sanctions.

7. The company has not made following disclosures required under Schedule VI to the Companies Act, 1956 as per references given after each item

a. Consumption of stores and spares (Para No. 3(x) (a) of Part II)
b. Consumption of important and indigenous stores and spares and percentage to the total consumption (Para No. 4 D (c) of Part II)
c. Outstanding dues to small scale undertaking and details regarding the same (Part I)

A task force is being set up to examine in detail all such unsanctioned projects for appropriate action. Steps are being taken to strengthen the procedures to see that no project is taken without proper sanction.

This is being reviewed to make the proper disclosures.